

CITY OF RUTLAND

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
APRIL 1, 2015 THROUGH MARCH 31, 2016**

Table of Contents

	<u>Page</u>
Officials	3
Independent Accountant's Report on Applying Agreed-Upon Procedures	5-7
Detailed Recommendations:	
	<u>Finding</u>
Segregation of Duties	A 9
Reconciliation of Utility Billings, Collections and Delinquent Accounts	B 9
Deposits and Investments	C 9-10
Certified Budget	D 10
Monthly Clerk's Report	E 10
City Council Minutes	F 10
Public Notices	G 11
Annual Financial Report	H 11
Chart of Accounts	I 11
Payroll Reports	J 11
Transfers	K 11
Insurance Property Tax Levy	L 12
Local Option Sales Tax (LOST)	M 12

City of Rutland

Officials

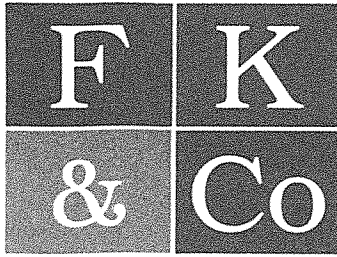
(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roxanna Gregory	Mayor	Jan 2016
Mary Dahl	Council Member	Jan 2016
Jerry Dahl	Council Member	Jan 2018
Ted Malo	Council Member	Jan 2018
Jim Davis	Council Member	Jan 2016
Lucas Tille	Council Member	Jan 2016
Donna Cran	City Clerk	Indefinite
Greg Stoebe	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roxanna Gregory	Mayor	Jan 2018
Mary Dahl	Council Member	Jan 2020
Jerry Dahl	Council Member	Jan 2018
Ted Malo	Council Member	Jan 2018
Devin Marchant	Council Member	Jan 2020
Lucas Tille	Council Member	Jan 2020
Donna Cran	City Clerk	Indefinite
Greg Stoebe	Attorney	Indefinite

City of Rutland



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Rutland for the period April 1, 2015 through March 31, 2016. The City of Rutland's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.

5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

Detailed Recommendations

CITY OF RUTLAND

DETAILED RECOMMENDATIONS

For the period April 1, 2015 through March 31, 2016

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

1. Cash – handling, reconciling and recording.
2. Investing – recordkeeping, investing, custody or investments and reconciling earnings.
3. Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
4. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
5. Payroll – recordkeeping, preparation and distribution.
6. Utilities – billing, collecting, depositing and posting.
7. Financial reporting – preparing and reconciling.
8. Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The reviews should be documented by signing or initialing and dating the reconciliations.

- (C) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, the resolution naming official depositories adopted by the City Council on January 13, 2014 does not indicate the deposit limit by individual institution for the checking and certificates of deposits as required by Chapter 12C.2 of the Code of Iowa.

CITY OF RUTLAND

DETAILED RECOMMENDATIONS

For the period April 1, 2015 through March 31, 2016

Recommendation – The City should adopt a written investment policy which complies with Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (D) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public safety, public works, health and social services, culture and recreation and the general government functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

The City’s long-term debt is not included on the long term debt schedule on the City’s budget, as required.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. Also, the City’s long term debt should be included on the long term debt schedule on the City’s budget.

- (E) Monthly Clerk’s Report – A monthly Clerk’s report, including a summary of revenues, disbursements, beginning and ending balances by fund and a comparison of budget vs. actual expenditures is not prepared.

Recommendation – The City Clerk should prepare a monthly Clerk’s report which includes a summary of receipts, disbursements, beginning and ending balances by fund, and a comparison of budget vs. actual expenditures. The City Council should review and approve the Clerk’s report monthly.

- (F) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires the posting of all City Council proceedings to include total disbursements from each fund and a summary of all receipts. We noted that these requirements were not met by the City for all of the meetings tested. In addition, an instance was noted in which it appears a revised ordinance was not posted, as required by Chapter 380.7 of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa and post total disbursements from each fund and a summary of all receipts. In addition, all revised ordinances should be posted, as required by the Code of Iowa.

CITY OF RUTLAND

DETAILED RECOMMENDATIONS

For the period April 1, 2015 through March 31, 2016

- (G) Public Notices – For postings of public notices, the City has documented three public places in the City which have been permanently designated by ordinance, as required by Chapters 362.3 and 372.13(6) of the Code of Iowa. However, of the three public places documented in the ordinance, one of them no longer exists.

Recommendation – The City should update its list of public places for postings and implement procedures to ensure the City always has three public places set by ordinance for the postings of public notices, as required by Chapter 362.3 and 372.13(6) of the Code of Iowa.

- (H) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures..." The City's Annual Financial Report reported receipts, disbursements and fund balances which do not agree to the City's records.

Recommendation – The City should ensure future Annual Financial Reports agree to the City's records.

- (I) Chart of Accounts – The City has not fully implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee.

Recommendation – To provide better financial information and control, the recommended COA, or its equivalent, should be followed.

- (J) Payroll Reports – The City filed incorrect Forms 941's, W2's and W3's with the federal government. Specifically, the City did not reduce the federal and state wage amounts by the amount of the employee's share of retirement deducted from the employee's check.

Recommendation – In the future, the City should ensure accurate 941's, W2's and W3's are filed with the federal government, and that the federal and state wage amounts are accurately reported.

- (K) Transfers – Fund transfers are not approved by the City Council.

Recommendation – The City Council should approve of all fund transfers.

CITY OF RUTLAND

DETAILED RECOMMENDATIONS

For the period April 1, 2015 through March 31, 2016

- (L) Insurance Property Tax Levy – The City levies a tax to pay for liability insurance coverage. The proceeds of this tax are used to pay the costs associated with liability insurance coverage. In fiscal year 2015, the total amount levied for liability insurance coverage was \$4,500, and the total cost of liability insurance was \$4,024. The costs paid for with the levy included liability insurance coverage for the water and sewer operations.

Recommendation – Costs incurred for liability insurance coverage for the water and sewer operations should not be paid for with the tax levy. They should be charged to the Enterprise, Water Fund and the Enterprise, Sewer Fund as required by Chapter 384.12(17) of the Code of Iowa. In addition, amounts collected in excess of the allowed costs should be taken into account when setting the subsequent liability insurance levy.

- (M) Local Option Sales Tax (LOST) – The City was unable to provide the most recent LOST ballot. As a result, the City is unable to document compliance with the requirements as noted in the LOST ballot.

Recommendation – In the future, the City should retain a copy of the LOST ballot.